

To: Honorable Judge Martin Glenn
Date: August 16, 2022
Case: 22-10964

Dear Honorable Judge Martin Glenn,

As of August 16, 2022, 11:15am ET I have a portfolio balance worth roughly \$43,000, all of which is frozen within my Celsius earn account.

Like hundreds of other account holders, I am here to express my outrage with Celsius' deliberate manipulation throughout their messaging on their website, app, marketing campaigns and emails. I would also like to address their Terms of Use and how the clauses explaining asset ownership should be considered null and void given the clear impairment and deception experienced by millions of account holders.

Manipulation Across Various Digital Channels:

As recent as April 12, 2022, Celsius claimed customers' assets were safe and encouraged long-term holding. Even their customer care phone number spells out "HODL-NOW" (reference Exhibit 1.a – exhibits begin on page 4).

Celsius recognized their lack of transparency in their July 13, 2022, email (reference Exhibit 1.b).

Various Twitter (@CelsiusNetwork) promotions call for customers and prospects to "unbank yourself" and discourages use of exchanges (reference Exhibits 1.c–1.d). The "unbank yourself" statement carries a lot of weight in particular – it implies Celsius is safer than using a bank.

The Celsius.network website CURRENTLY carries messaging claiming transparency and encouraging long term "hodling" (reference Exhibits 1.e–1.f).

A Celsius white paper published in 2018 (and currently linked to Celsius.network) made deceptive statements about the "broken" banking system and customer lending protection (reference Exhibits 1.g–1.h). Celsius describes flaws in traditional banking and investment institutions (although not describing anything predatory or illegal) to support their claim that customers are better off earning higher rewards through Celsius.

In the white paper's "leading protection" section, they clearly state "...coins lost will be insured through our protection pool and coins values will be restored immediately".

The Celsius app promotion also includes the "unbank yourself" statement (reference Exhibit 1.i).

I opened my Celsius account in December 2020, after reading many highly regarded tech blogs and news articles that I thought served as my due diligence in researching the safest, highest yielding crypto wallet. I had no idea at the time that the fine print in their Terms of Use claimed ownership of my assets after depositing. The clauses regarding ownership were not included or implied anywhere else in their digital presence.

Null and Void - Terms of Use:

Based on the examples provided in the previous section, examples provided by the Official Committee of Unsecured Creditors in their official statement (docket no. 390), and the overall lack of transparency throughout Celsius' marketing and web messaging, I believe the following clauses from Celsius' Terms of Use should be consider null and void:

2020 Terms of Use

"In consideration for the rewards earned on your Account and the use of our Services, you grant Celsius the right ... to pledge, re-pledge, hypothecate, rehypothecate, sell, lend or otherwise transfer or use any amount of such Digital Assets ... for any period of time."

2022 Terms of Use

"You agree and acknowledge that you are exposed to the possibility that Celsius may become unable to repay its obligations to you in part or in full, in which case any Digital Assets in your Celsius Account that are not using the Custody Service may be at risk of partial or total loss."

In Conclusion

I am not here to demand I receive all my crypto (down to the sixth decimal) back, as I understand that may be physically impossible (especially in the short term). Celsius over leveraged assets through poor risk management, which is frankly inexcusable for a "leading" cryptocurrency network. I can only hope for a quick liquidation (NOT by a sale of assets to a Goldman Sachs character trying to pay pennies on the dollar) to remedy at least a portion of my portfolio. I am lucky that I have other cash and assets to keep me afloat; my life is not by any means ruined. If anything, my financial goals are just delayed. However, it is still difficult to accept this loss and remain optimistic. I sympathize with the hundreds of thousands of other account holders who also have a significant portion of their savings frozen, potentially never to be seen again beyond a nonbusiness bad debt tax right off.

I hope justice can break through the cracks during this bankruptcy trial and shine a light on all the manipulative and deceiving tactics used by Celsius. I hope account holders will eventually receive some portion of value back. I hope a new precedent can be established for crypto regulation and crypto network customer contracts. And of course, I hope for complete closure; I hope Alex Machinsky and any other relevant board directors and executives for Celsius eventually receive criminal charges.

I appreciate your time and consideration.

Sincerely,

Ila (an unsecured Celsius Creditor)

Exhibits

1.a



Tuesday, April 12th, 2022

Dear Celsians,

Today, we are writing to give our community advance notice of upcoming changes, which will go into effect on April 15, 2022. These changes provide a path forward for our users in the United States to continue holding coins and earning rewards with Celsius.

As we previously have acknowledged, Celsius has been working closely with regulators around the world. It is our intention to be as transparent with our community as possible. More specifically, we have been in ongoing discussions with United States regulators regarding our Earn product.

...

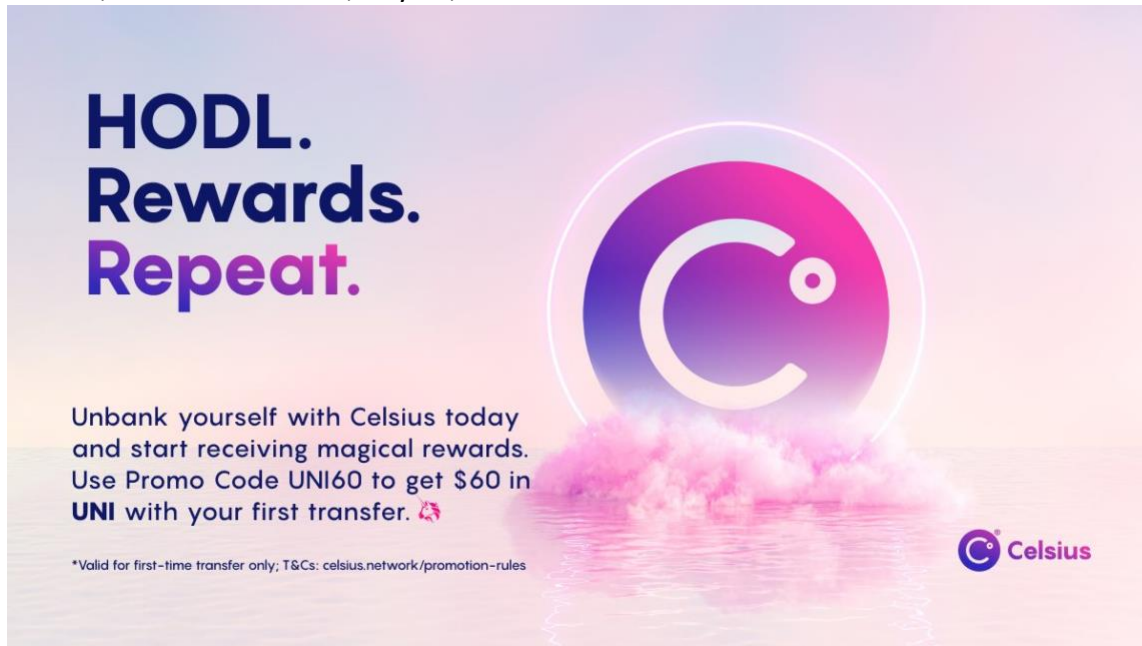
If you have questions or require additional assistance, contact us at 1-866-HODL-NOW (1-866-463-5669). Our Customer Care Center is available Monday - Saturday, from 10AM - 11PM EST or contact us at <https://celsius.network/customer-care>

1.b

We apologize that communication with our teams and community has been very limited over the past few weeks, and we look forward to being able to offer greater transparency with everyone through our reorganization, which encourages dialogue with all stakeholders.

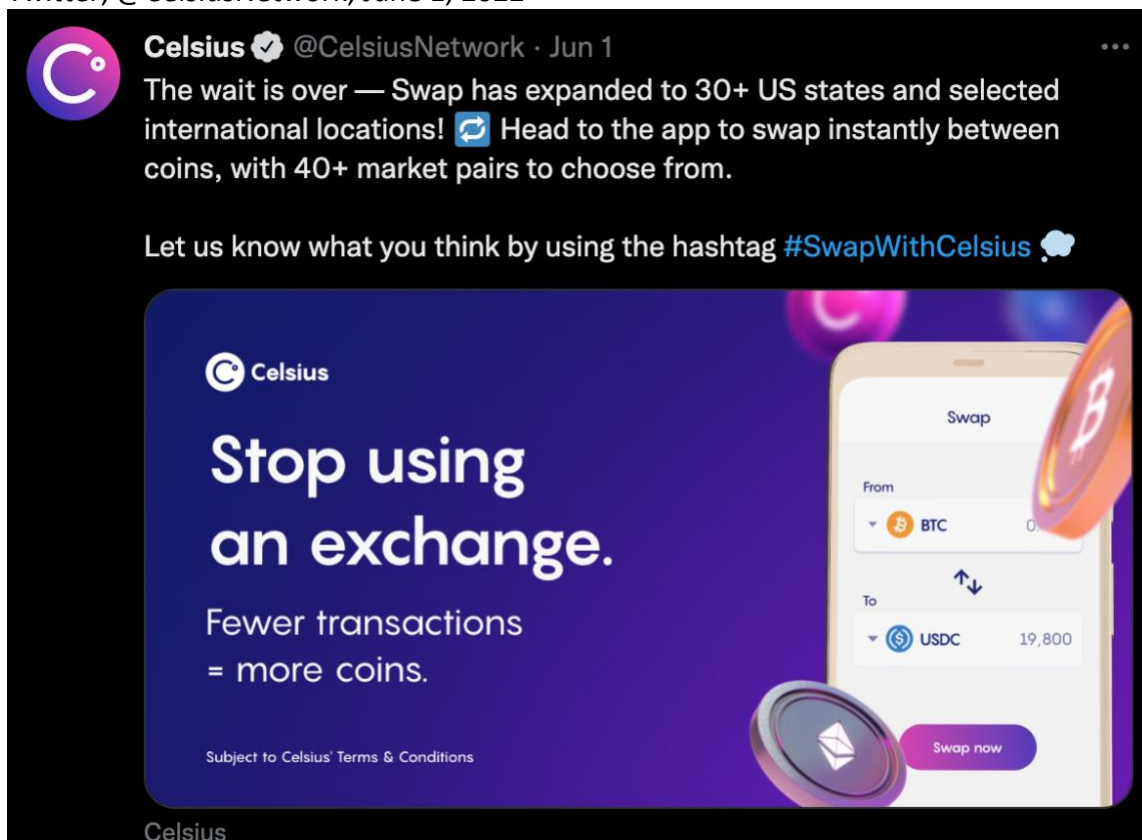
1.c

Twitter, @CelsiusNetwork, July 10, 2021



1.d

Twitter, @CelsiusNetwork, June 1, 2022



1.e

1.7 million people call Celsius their home for crypto

Because we put our community first. Join us for military-grade security, next-level transparency, and a do-it-all app designed to help you reach your financial goals — whether you're HODLing long-term or swapping daily.

1.f

Next-level transparency

Celsius brings the transparency of decentralized finance to a centralized company.

1.g

Banking is Broken



3

The 99% Not The 1%

Most financial institutions still don't get cryptocurrency. They want to short the market because they're blinded by being so late to the party on this one. Right now, there's no good place for them to go to bet against the cryptocurrency market other than expensive futures markets like the CME and centralized exchanges.

Sure, Go ahead and short

Hedge funds, family offices and crypto funds still want to play in the world of cryptocurrency. Fortunately for us, they are willing to pay high fees to do so, so many of them want to short the market. After the Token Generation Event is completed, we will begin working on our platform that will allow us to make the most of their greed by taking up to **50% cash** deposits and charging them interest when they hedge. This lets us pass most of the earnings back to the community and lend more dollars to the rest of the Celsius community.

1.h

Lending Protection

Members who lend coins on the Celsius Network will be protected by the Celsius lending protection pool (funded by our fees). Any defaulted lending or coins lost will be insured through our protection pool and coin values will be restored immediately. The Celsius wallet will show our cash deposits every day which will also be audited by an outside accounting firm several times a year.

1.i

